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<b>Report title:</b> Essex Renewal Fund – Progress and next steps	
<b>Report to:</b> Corporate Policy and Scrutiny Committee	
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<b>Date:</b> 25 January 2024	<b>For:</b> Scrutiny
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<b>County Divisions affected:</b> All Essex	

## 1 Everyone's Essex

- 1.1 We launched the Essex Renewal Fund in April 2022 to support land and property projects in Essex. The fund is part of our commitment to good jobs, future growth and investment, green growth and levelling up the economy.
- 1.2 Over the next 20 years, the fund aims to invest over £100m, supporting 1,500 jobs and bringing to market enough land to deliver 1,000 new homes. It will do this through land and property projects that the market wouldn't deliver or may not deliver to such high standards.
- 1.3 As a revolving fund, net income and capital receipts are reinvested to deliver further projects, with the existing Commercial Investment in Essex Places Reserve used to support the revenue position initially. The Fund will also leverage central government grant funding and private sector funding into Essex to deliver projects. Allocation of funds to individual projects or opportunities will be subject to separate decisions that will support each investment.
- 1.4 The Fund:
  - focuses on attracting and retaining investment and talent in and around Tendring, Basildon and Colchester housing estates, Harlow, Rural Braintree and Canvey Island
  - seeks opportunities to support Essex town centres and high streets and our new Garden Communities
  - nurtures the five key growth sectors for Essex identified in the [Essex Sector Development Strategy](#)
- 1.5 All new build projects are expected to deliver net zero carbon in operation.

## 2 Background

- 2.1 The Fund prioritises eligible projects based on their alignment with the following policy objectives:
  - create and safeguard jobs

- attract and retain investment and talent in important locations
  - support start-ups and high potential firms
  - contribute to green growth and climate resilience
  - keep momentum with, and speed up, major housing and economic growth projects
  - encourage shift to sustainable modes of transport
  - provide opportunities for reskilling and upskilling
  - facilitate higher productivity economic activity
  - contribute to a Net Zero carbon future
- 2.2 To manage our risk, we limit investment to £12.5m per project (including any grant funding for which we are accountable). For larger projects, we need to share risk and reward with external partners, either through a 'Master Developer' model or development partnerships.
- 2.3 Other investment considerations include compliance with Public Works Loan Board (PWLB) borrowing guidance, achieving financial hurdle rates, and ensuring value for money for taxpayers.
- 2.4 To manage impacts on our revenue budget, total activity is anticipated to remain under £27.5m at any one time. However, we aim to invest at least £100m over the next 20 years by reinvesting any income from the fund.
- 2.5 Essex Renewal Fund was previously discussed at Corporate and Place Scrutiny Committees:
- On 24 November 2020, where you welcomed the shift to focusing investment in-County, but expressed concerns about application of Public Works Loans Board ("PWLB") borrowing guidance
  - On 24 March 2022, where you welcomed focus on net zero carbon development, but expressed concerns embodied carbon
- 2.6 This paper provides an update to Corporate and Place Scrutiny Committees on progress to date and next steps.

### 3 Progress to date

- 3.1 **Governance:** Essex Renewal Fund sits across the Planning a Growing Economy and the Chancellor of Essex portfolios. The Cabinet members are regularly updated. Formal decisions will be taken by the Cabinet Member for Planning a Growing Economy in consultation with the Chancellor of Essex.
- 3.2 The Fund reports to the Section 151 Officer, Monitoring Officer, and other senior officers. Officers from ECC's Economic Growth, Housing Growth, Finance, Legal, Procurement, and Property teams meet fortnightly to support the investment management of the Fund, including delivery, operation, and maintenance of projects.

- 3.3 Further PWLB borrowing guidance was published by the Debt Management Office following approval of the Fund, providing additional confidence about compliance.
- 3.4 The Fund was paused in May 2023 following a period of high-cost escalation across the Council's capital programme, whilst pressures were mitigated. The Fund will resume following approval of the 2024/25 Budget by Full Council on 13 February 2024. The capital programme and commitments are regularly reviewed based on the revenue pressures and reserve implications.
- 3.5 During this time, the pause impacted the recruitment and procurement activity required to support the Fund.
- 3.6 **Recruitment:** Corporate and Place Scrutiny Committees previously urged a good balance between internal capacity and capability and independent specialist expertise to support the Fund. A Procurement Manager was assigned to support the Fund in autumn 2022. Efforts to recruit other specialist officers in 2022/23 proved unsuccessful.
- 3.7 During the time that the fund was paused, adjustments were made to the recruitment approach, to increase the chances of a successful outcome.
- 3.8 **Procurement:** Atkins Realis was appointed to provide socioeconomic consultancy services to support the Fund from August 2022. Subject to governance, as the end of this contract approaches, the services will be reprocured. Following the success of the original contract, this could be for a longer time period, to ensure greater value for money for taxpayers.
- 3.9 Soft market testing has been carried out for the management services required to support the Fund, to increase the chance of success of procurement once the Fund is resumed.
- 3.10 **Project pipeline:** A dedicated web page was launched for the Fund in June 2022. This was aimed at landowners, potential funding and delivery partners and has helped to generate project leads.
- 3.11 In total, 55 opportunities have been considered, of which 14 (25%) passed initial sifting. This includes leads from the ERF web page, known stalled projects, sites from Local Plans, and some existing ECC assets.
- 3.12 Four Gateway 0 assessments have been carried out, of which two (50%) passed to Stage 2. Two further Gateway 0 assessments are in progress. These include both long-term, strategic opportunities to develop our key growth sectors and short-term opportunities to address local gaps in business accommodation.
- 3.13 Whilst no Gateway 1 Strategic Business Cases have been prepared to date, discussions are ongoing with several of landowners.

## **4 Next steps**

- 4.1 **Governance:** We anticipate two Gateway 2 decisions on projects in 2024/25. These will be taken through ECC's constitutional governance processes.
- 4.2 **Recruitment:** Recruitment activity will recommence following approval of the 2024/25 Budget by Full Council on 13 February.
- 4.3 **Procurement:** Subject to governance, fund and asset management services will be the first to be procured following approval of the 2024/25 Budget by Full Council on 13 February, followed by lettings and facilities management services.
- 4.4 **Project pipeline:** We will continue to progress the Fund's existing project pipeline, with two formal decisions anticipated in 2024/25.
- 4.5 Once a Fund Manager has been appointed, more proactive market engagement will be carried out to ensure adequate choice within the pipeline.